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INVESTMENT
DIVISION

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ANNUAL REPORT
OF
THE C. O. BARTLETT & SNOW COMPANY

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Fiscal Year Ending December 31, 1948

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CLEVELAND, OHIO
U. S. A.

THE C.O. BARTLETT & SNOW COMPANY

DESIGNERS AND BUILDERS OF
MATERIAL HANDLING AND PROCESSING EQUIPMENT

6200 HARVARD AVENUE
CLEVELAND 5, OHIO, U.S.A.

February 28, 1949.

To the Shareholders:

Herewith you will find the Company's Balance Sheet as at December 31, 1948; also a Condensed Comparative Summary of Income for the Years 1946, 1947 and 1948.

There was paid a dividend on Preferred Stock of \$7.00 per share, and on outstanding Common Stock of the Company, \$2.50 per share, the latter being \$1.00 per share more than paid in 1947.

Earnings from Cobwell Reduction Company, Inc., Syracuse, New York, in which your Company has 51% interest, accounted for considerable of the earnings. Grease sales (which produce most of the earnings) are now much lower than the average obtained in 1948, and if present low prices continue there definitely will be reduced earnings.

You all know taxes and expenses are high and must be paid, and it is indicated that taxes will probably be higher in the future. Those in industry are finding it is increasingly difficult to accumulate an adequate cushion for the inevitable rainy day. Therefore, it is necessary to adopt and follow a conservative policy.

The necessity of retaining in the business a large portion of net profit is due in part to the replacement cost of plant and property being considerably above the original cost. In this connection, there has been general discussion and consideration by economists, accountants and others, as to whether replacement or reproductive costs should be substituted for actual costs of plant and property, and the provision for depreciation computed on the basis of replacement or reproductive costs instead of on actual book costs, as used at present. Should it become the recognized practice to use the higher values, the provision for depreciation would be substantially larger, thus reducing net profits, but providing to a greater extent for necessary replacements at current costs.

As we are constituted, and having a highly specialized sales organization, contract sales requiring special design work and considerable engineering are the life-blood of the Company, and almost without exception everyone in the organization in some way or other contributes to our sales achievements and the Company's final yearly results. We are definitely of the opinion that it will be more necessary than ever to be alert, and make more contract sales and to many more companies than in the past. To accomplish this we must have an adequate sales personnel, which is both flexible and active, and provided with proposals reflecting competitive as well as superior designs which can be sold at somewhere near competitive prices.

We also realize it is necessary that our production costs be considerably reduced, and means must be found to lessen both production costs and expenses. This will require careful designing and simplifying of product standardization (constructing products of fewer pieces, requiring less time to make and giving them a "new look"); increased production per man hour of effort, and plant equipment and facilities adequate to aid in increasing output and lowering costs.

Obtaining adequate contracts has given us great concern throughout the year, but we are hopeful that by intensive sales effort and being successful in closing a greater percentage of the proposals submitted, more orders will result - but a selling job has to be done. The backlog of orders carried over from 1948 is indicated to be less than half of that carried over from 1947, namely, \$1,125,944.96, as compared with \$2,479,485.45.

We have a substantial number of inquiries and many proposals outstanding. However, I cannot emphasize too strongly that we develop more customer contacts and look for more and smaller orders, rather than a few of larger size. A few large sized orders aggregating normal yearly sales volume is likely to become a serious problem, for it narrows our opportunities of making sales to too few customers, and makes impossible reasonable prompt delivery of other business. It further has a tendency to lessen sales activities and will be found affecting the overall morale of the Company.

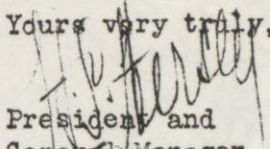
During the recent past the principal activities of your Company resulting in contracts have been with foundries; in furnishing equipment to public utility steam generating plants and to those industries having need for Rotary Dryers, Calciners, Kilns and Coolers. The latter sales division has been extremely busy, and obtained some splendid orders. It is our belief that this department more than any other has unusually excellent potential possibilities for increased yearly sales, as there is a never-ending need for processing and treating materials. The Foundry Industry at present is not operating up to normal. However, public utilities work is unprecedentedly active, but requirements are for extended delivery dates, and little, if any, will be shipped in 1949.

About June, 1948, we employed the firm of Stevenson, Jordan and Harrison, Management Engineers, to make a survey of business procedures. After receiving their recommendations and setting up budgets for each of our principal departments, their recommendations were approved and put into effect in July. Their services also included setting up a revised method of recording time and prices based on previous cost records, and new procedure for pricing our contract-proposals. They will be asked to review and revise their recommendations as soon as our 1948 statement is available.

As might be expected, the organization plan put into effect in 1946 is working out quite well as each division head is becoming better acquainted with his specific responsibilities and gaining greater knowledge of the requirements for proper functioning.

We should have every reason to feel much encouraged with the progress made by the organization and the results shown by the financial statement presented herewith.

Yours very truly,


President and
General Manager.

THE C. O. BARTLETT AND SNOW COMPANY
BALANCE SHEET AS AT DECEMBER 31, 1948

ASSETS

Current:

Cash		\$ 116,034.90
U.S. Treasury Certificates of Indebtedness		
- 1 1/8% - Par Value \$200,000.00 - Cost		
Plus Accrued Interest		201,494.68
Accounts Receivable - Customers	562,884.83	
Less Allowance for Doubtful Accounts	<u>3,500.00</u>	559,384.83
Inventories:		
Raw Materials	206,638.20	
Contracts in Process	173,655.58	
Finished Stock	<u>121,460.34</u>	501,754.12
Total Current Assets		\$1,378,668.53

Other:

Accounts Receivable and Advances -		
Miscellaneous	6,694.26	
Avco Manufacturing Company -		
Construction Account	<u>593.34</u>	7,287.60

Cobwell Reduction Company, Inc. - 51% Owned:

Capital Stock - Common - At Cost		510.00
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Permanent:

Land	78,376.14	
Plant and Equipment - as Appraised	543,448.24	
Patents and Drawings	<u>1.00</u>	621,825.38

Deferred:

Insurance Deposit - Protection		
Mutual Fire Insurance Company - Less		
Note Secured Thereby	3,278.75	
Other Unexpired Insurance	1,782.47	
Air Travel Card Deposit	425.00	
Prepaid Interest	<u>134.95</u>	<u>5,621.17</u>

TOTAL ASSETS

\$2,013,912.68

THE C. O. BARTLETT AND SNOW COMPANY

BALANCE SHEET AS AT DECEMBER 31, 1948

LIABILITIES AND CAPITAL

Current Liabilities:

Estimated Federal Income Taxes	\$ 180,575.78
Accounts Payable - Trade	84,033.47
Accounts Payable - Miscellaneous	80,669.01
Provision for Further Costs on Contracts	35,668.52
Provision for Retirement of Preferred Stock	34,250.85
Taxes - Other Than Federal Income - Accrued and Payable	24,472.71
Accrued Wages and Commissions Payable	23,784.36
Total Current Liabilities	<u>463,454.70</u>

34,250
479,704

Capital:

Capital Stock - Preferred - \$100.00 Par Value	
Authorized and Issued - 1,680 Shares	168,000.00
To be Retired	<u>34,250.85</u>
	133,749.15
Capital Stock - Common - No Par	
Declared Value - \$10.00 PerShare	
Authorized 15,000 Shares	
Issued 14,502 Shares	<u>145,020.00</u>
	278,769.15

1379
463
916
134
782

Surplus:

Surplus from Appraisal	
Land	30,866.00
Plant and Equipment	310,031.74
Patents and Drawings	<u>1.00</u>
	340,898.74
Paid-in Surplus	111,775.00
Earned Surplus	740,889.95
Reserve for Equipment and Facilities	52,125.14
Reserve for Deferred Excess Profits Taxes	26,000.00
	<u>1,271,688.83</u>
	1,550,457.98

1,550
134
1,684
1,336
76

TOTAL LIABILITIES AND CAPITAL

\$2,013,912.68

THE C. O. BARTLETT AND SNOW COMPANY

CONDENSED SUMMARY OF INCOME

	<u>1946</u>	<u>1947</u>	<u>1948</u>
Charges to Customers for Equipment Sold and Services Rendered	<u>\$2,434,666.06</u>	<u>\$3,297,495.16</u>	<u>\$3,262,200.09</u>
Cost of All Materials, Supplies, Services, Labor and Expenses Necessary to Make the Company's Products Available for Sales	1,777,293.40	2,527,914.65	2,377,721.45
Cost of Services, Supplies, Labor and Expenses Necessary to Engineer the Company's Products and to Induce the Customers to Buy	321,267.24	339,175.81	307,714.79
Costs of General Administration	<u>83,473.57</u>	<u>118,690.44</u>	<u>142,083.15</u>
Total Plant, Engineering and Administrative Costs	<u>2,182,034.21</u>	<u>2,985,780.90</u>	<u>2,827,519.39</u>
Net Earnings from Operations - Before Federal Income Taxes	252,631.85	311,714.26	434,680.70
Estimated Federal Income Taxes	<u>93,871.25</u>	<u>118,877.28</u>	<u>165,604.57</u>
<u>Net Earnings from Operations</u>	<u>158,760.60</u>	<u>192,836.98</u>	<u>269,076.13</u>
Income from Sources Other Than Plant Operations	46,088.78	42,652.27	66,749.45
Estimated Federal Income Taxes on this Income	<u>5,926.23</u>	<u>9,583.67</u>	<u>12,141.54</u>
<u>Net Other Income</u>	<u>40,162.55</u>	<u>33,068.60</u>	<u>54,607.91</u>
<u>TOTAL NET INCOME</u>	<u>\$ 198,923.15</u>	<u>\$ 225,905.58</u>	<u>\$ 323,684.04</u>

